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SELF-CONTROL, NOT GOVERNMENT CONTROL

There are two reasons it's always good to come back to Nebraska. First, it's home. Twenty years ago, I started work as a reporter for UPI here in Omaha.

The other reason is that it's a chance to clear my system of "Potomac fever." That's what happens when you stay in Washington too long.

It's particularly good to meet with you right now. Times have changed. We now have a President and a Secretary of Agriculture who understand farming from the ground up. These two men know the enormous potential of America's food and agriculture. More than that, they know farm problems firsthand. And they are committed to solving these problems so farmers can make a decent living.

We have a new farm program -- authorized by the Food and Agriculture Act of 1977. Signed by President Carter on September 29, it is a massive document that covers areas as diverse as rural development, foreign aid, and human nutrition.

The significance of this new law, however, is the fundamental change in the Department of Agriculture's price support programs. The law eliminates the historical bases and allotments. And this is not just a word change -- the whole allotment concept has vanished for the basic crops -- cotton, wheat and feed grains.

Remarks by James C. Webster, Director, Congressional and Public Affairs, to the Farmers National Company Seminar, Omaha, Nebraska, December 1, 1977.

We now have a voluntary program designed to protect farm income from the wide market fluctuations of recent years. The keystone of the new program is self-control, not government control.

And that's the real reason -- the important reason -- I came to Omaha today: to ask you to spread the word about the new program. It differs substantially from the ones you and your neighbors had for the last 40 years.

The new law affects everyone -- not just farmers and ranchers. If the food and agriculture act had represented only the interests of agricultural producers -- less than 4 percent of the U.S. population -- it would not have passed the Congress.

Some feel that target and loan levels for wheat and feed grains are too low. Many have written to us about that. But we also get letters that say the supports are too high. Personally, I find it hard to believe that anyone who represents farmers believes that $2 corn and $3 wheat are too high.

Farmers and ranchers are just starting to recover from an agricultural adventure. Some might call it a nightmare. Poor weather overseas caused a boom from 1973-75. Exports pushed grain prices to record levels. During the boom, farm programs were allowed to lapse and decay. The administrative structure of farm programs was undermined.

Good weather in Europe and Asia ended the boom, just as quickly as it started. Fence-to-fence planting has hurt most farmers; it threatens to ruin some. The bust left grain prices drastically low while production costs were exceedingly high.

Take the wheat situation. It was a real milestone when wheat production broke the 2-billion bushel mark in 1975. But I would have thought it impossible then that we would have three 2-billion bushel plus wheat crops in a row.

When Bob Bergland became Secretary of Agriculture January 20, farmers had already planted most of their 1977 wheat acreage. For most, there was no turning back.

The Secretary did everything he could -- within existing authorities -- to help farmers. He initiated 16 major actions to help get through the current problems.

February 22, the Secretary announced 1977 wheat, feed grain, and cotton target prices.

March 18, the Secretary announced that the Commodity Credit Corporation would assume losses, beginning in July on commodities owned by CCC and stored in commercial elevators.

March 22, he increased dairy price supports to $9.00 per hundred-weight.

April 4, the Secretary established a farmer-owned wheat and rice reserve program for 1976 crops. USDA agreed to pay storage costs, if farmers would hold the crops.

That same day, loan deadlines were extended to May 31 for 1976 crops, and feed grain and soybean loan rates were increased: corn to $1.75, sorghum to $1.70, barley to $1.50, oats to $1.00, rye to $1.50, and soybeans at $3.50 Commodity loan interest rates were reduced from 7-1/2 percent to 6 percent.

The farm facility storage loan interest rate was lowered from 7-1/2 to 7 percent. The maximum loan amount was increased to $50,000. The down payment requirement was cut in half to 15 percent.

On May 4, $469 million in emergency drought assistance was made available to producers.

June 2, Secretary Bergland proposed that cooperatives be eligible to participate in CCC price support loan programs for wheat and feed grains, on behalf of their members.

July 20, we expanded farm facility loans authorizing loans for building wet storage structures. This benefited dairymen and livestock feeders who needed storage for high moisture grain and silage.

August 15, wheat and feed grain loans that were to mature before October 31 this year were extended to that date, at the request of the producer, to give farmers more marketing flexibility.

August 16, additional drought assistance of $50 million was added under the Drought and Flood Conservation Program.

August 25, the repayment schedule for new farm facility loans was lengthened from 5 years to a maximum of 8 years.

August 29, the Secretary announced the creation of a 30-35 million metric ton food and feed grain reserve and said he'd seek legislation for a special 6 million ton International Food Reserve for humanitarian purposes.

August 31, feed grain loan rates were increased again: corn to $2.00, sorghum to $1.90, barley to $1.63, oats to $1.03, and rye to $1.70.

September 2, commodity loans were made available on 100 percent of the commodity stored on-farm. Before, only 90 percent of the on-farm grain was eligible for loan.

And, on September 29, the 1977 Food and Agriculture Act was signed into law by President Carter. More than $800 million was added to target price payments to be made to wheat farmers this year.

Let's examine the new law a bit more in detail. The law radically changes the method of production adjustment. Farmers now decide what they want to plant based on market factors, not historical allotments. Farmers are being urged to set aside 20 percent of their land planted to wheat and 10 percent of their land planted to feed grains.

If farmers decide to participate in the set-asides, they're eligible for commodity loans -- and deficiency payments if they are made -- and are able to participate in the reserve and disaster programs. There won't be payments to farmers for unplanted acres after 1977.

The new program will be more difficult for USDA to administer, and here, I hope you can help us. You and I know what is at stake here -- the need for all farmers to participate in a voluntary program. Therefore, I ask each of you to take positive action to get enough acres into the set-aside so the program will succeed. And its success will be measured on how well it strengthens your prices and income.

New initiatives this year have already helped. In mid-June, wheat was under $2 a bushel -- most places 25 - 40 cents below the national loan rate. By mid-November, farmers had placed record amounts of wheat under loan for any June-November on record, and almost 25 million bushels into the reserve program.

Wheat prices still aren't what they should be. But, without these programs, wheat prices would again average well below $2 a bushel. So far, farm programs -- and a positive approach to developing new export markets -- have begun to get farmers a better return for their grain.

The use of these two options has had a very positive effect on market prices. Since June 14th cash wheat at Kansas City has increased 67 cents a bushel. Cash corn at Chicago has increased 47 cents a bushel since August 22. And soybeans have jumped over $1.11 since October 20th.

More good news: Nebraska farmers will soon be receiving deficiency payment checks from ASCS totaling $77 million.

We're finding that many farmers are taking advantage of these expanded programs.

Farm storage facility loans for Fiscal 1977 totaled 27,705, up nearly 17,000 from Fiscal 1976. The value of these loans this past year was a record $156.9 million. This compares with less than $50 million in 1976.

The real record was set in October of this year -- when farm storage facility loans totaled $74.9 million. That was for 9,508 new loans. And that figure for last month is greater than the full year loan totals in 24 out of the last 29 years.

Another area the new bill covers is disaster relief. You know how important this provision is. You see the tragic need of many farmers wiped out by drought and hail. The disaster payments program has already aided 8,500 Nebraska farmers -- mainly wheat farmers -- with about $7.8 million in disaster payments. ASCS has another 16,000 applications on hand and figures that disaster payments for the year will total nearly $30 million in Nebraska.

As of November 22, over $881,000 in deficiency payments have already gone to 6,677 Iowa producers; the total in deficiency payments to Iowa is expected to increase to about $2.3 million.

We know that many farmers gave up around the fourth of July, when no rains came. ASCS now has on hand over 30,000 disaster applications from Iowa farmers. We expect that disaster assistance of about $60 million will be paid to Iowa farmers.

While the present disaster program is better than nothing, Secretary Bergland still calls it a disaster. We are developing legislation to remedy this, hoping to widen the Federal Crop Insurance Corporation program to make it more attractive to farmers everywhere.

USDA has undertaken a pilot program in 20 states under which farmer-elected committeemen will help FCIC administer the program. And when farmers themselves administer a program, it will be more timely and helpful in responding to disasters.

A provision in the new bill of special importance to Nebraska gives the Secretary power to fund research that will explore making fuel from farm products. Bob Bergland, and all at USDA, view this as an excellent way to get involved in solving the energy problem.

Nebraskans have some answers to the energy problem -- a problem that affects every American, a problem that especially affects farmers. USDA has $24 million for research at colleges and universities on fuel conversion and an additional $15 million for each of four pilot projects.

Right now we are asking for suggestions on pilot projects. I know some of you have suggestions. We need descriptions of general technological and economic prospects for projects. All suggestions received from February 1 will be considered. I suspect we are going to get some good ones from Nebraska.

There are those who wonder why the Agriculture Department received substantial authorization for energy research. They may have forgotten that USDA research has always delivered -- since 1862.

The energy issue raises the last topic I would like to discuss with you: world trade.

First, I would like to review the beef import situation. Ranchers and cattle feeders have recently suffered the bad end of a beef cycle, and they brought beef imports under fire. Imports presently account for 7-1/2 percent of our per capita consumption.

At the Department, we are examining several proposed changes to the beef import laws. The Secretary has mentioned a counter-cyclical system that would lower imports when our farmers and ranchers are liquidating herds. As cow numbers decline, imports would decline by a like percentage. This would take some of the sting from the low end of cattle cycles.

It was only a few short years ago that America's farmers exported enough food and fiber to pay for our imported fuel. Fuel prices have risen and farm commodity prices have fallen. Now farm exports pay for one-third of our imported fuel.

Although it's picked up in recent weeks, the farm export picture remains cloudy. A large worldwide grain buildup and low grain prices continue to dominate international trade. This could change -- but even if it does, we can no longer base our farm policies on the weather -- here, in Europe, or in Asia.

As the world's chief supplier of agricultural products, we must form and act from policy, not just react to weather. I offer four observations that might act as a base for policy:

(1) The world faces a long run food shortage, which in time will dwarf the energy crisis.

(2) A healthy farm economy is vital to our own well being and that of the world.

(3) Agricultural progress in less developed nations is also critical to international political and economic stability.

(4) Economic development in less developed nations is necessary for the long term development of our agricultural trade, because as they increase their buying power, they are more likely to buy U.S. farm products.

Using those four ideas as a background, let's look at trade developments.

The provisions of the new food and agriculture act strengthen our position as the world's leading farm exporter. These provisions not only provide greater price predictability for producers and consumers alike; they also give our foreign customers greater assurance that the United States will be a dependable supplier of commodities, even when we suffer shortfalls.

With the set-aside and reserve provisions, we are taking practical steps to solve our own problems, and at the same time we are telling the world that we are maintaining a reliable food supply. We have also told foreign nations that the maintenance of a reliable food supply is a global problem, not just a national problem to be faced by the United States.

We hope that our willingness to have a formal system of grain reserves will lead to a world system of grain reserves -- a system in which all importing and exporting nations will participate. The time has passed when the United States alone can make production adjustments and maintain the world's granary.

The United States also has a commitment to help underdeveloped nations achieve more dependable, nutritious food supplies. P.L. 480, started right after World War II, has proved to be not only a help to troubled nations, but also a positive force in developing U.S. trade.

Right after World War II, 17 European nations and Japan received food aid. By 1969, all 18 were importing from the United States on commercial terms. Last year, they bought over $12.5 billion out of a total $24 billion of U.S. farm exports.

Taiwan and South Korea are two other examples. Taiwan was once 90 percent on P.L. 480 aid and now is a 100 percent commercial customer. South Korea is now 92 percent commercial. Last year, Taiwan and South Korea imported $1.3 billion in U.S. farm products.

Two weeks ago Secretary Bergland announced a $750 million increase in the Fiscal 1978 budget for financing sales of U.S. agricultural commodities under the Commodity Credit Corporation's Export Sales Credit Program.

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The increased financing level -- nearly double last year's actual spending -- will strengthen U.S. exports, and help some developing countries make the transition from Public Law 480 long-term credit agreements to the short-term, commercial CCC credit program.

No one has a crystal ball that will give us precise figures for next year's agricultural exports. We hope they will reach -- if not exceed -- last year's record high $24 billion. We realize for that to happen, export tonnages must significantly surpass the 100 plus metric tons shipped in Fiscal 1977.

We also know world food prospects for next year have changed dramatically in some nations from early estimates. For example, rice exports are heavier than expected to the European Community, Saudi Arabia, the Ivory Coast and Nigeria.

On November 2, the Soviet Union announced that its grain production may total 194 million tons this year -- substantially short of its earlier 215 million ton estimate. USDA now estimates that the Soviet Union may have to import 20 to 25 million metric tons of grain between now and September 1978.

So far this year, the Soviet Union has bought 1.8 million tons of wheat and 3.5 million tons of corn. And, their purchases are increasing. We've told the Soviets that they can buy up to 15 million tons of wheat and corn this year -- 7 million tons more than the maximum our agreement calls for.

For the first time since 1974, the Peoples Republic of China has bought soybeans from the United States. The sales have been small, by comparison -- 75,000 metric tons of soybeans and 38,000 metric tons of soybean oil. But they're a start.

In short, the export picture is a lot brighter than it was a few months ago.

The pace of these first 10 months of President Carter's first term has been exciting -- some would say it's been downright hectic. But it's laid a foundation for solid progress.

This Administration and the Congress are facing up to an enormously difficult energy challenge. All the choices are tough ones, but we've begun to make them.

Our international trade problems are equally difficult -- but we're facing them. The logjam at Geneva has been broken -- and trade agreements are possible in 1978. We've negotiated a new international Sugar Agreement, and there's progress on a new International Wheat Agreement.

There have been new initiatives in foreign policy -- the Panama Canal treaties, Southern Africa, human rights, limits on the arms race. The prospects for peace in the Middle East have never been so bright.

And things are looking far better for American agriculture than many thought possible just three or four months ago. There are tools in these new farm programs for you to use. You can make them work -- we can't do it by ourselves in Washington. We can help -- and we'll do all we can -- but it depends on farm families all across this land to make them work for a stronger farm economy and a healthier food and fiber system for all Americans.

Thank you.

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